

Institutional Eligibility

This chapter discusses the three types of institutions that are eligible to participate in the Federal Student Aid (FSA) programs. If circumstances change and a participating school no longer qualifies as an eligible institution, it must notify the Department (see Chapter 5) and carry out the closeout procedures described in Chapter 9 of this Volume.

A school that wishes to participate in the FSA programs must demonstrate that it is eligible to participate before it can be certified for participation. A school must apply to and receive approval from the Department of its eligibility to participate. Some schools apply only for a designation as an eligible institution (they do not seek to participate) so that students attending the school may receive deferments on FSA program loans, or be eligible for the HOPE/Lifetime Learning Scholarship tax credits or other non-FSA programs that require that the school be FSA-eligible. The same application is used to apply for both eligibility and certification for participation (see Chapter 2).

TYPE & CONTROL

Type: the three definitions of eligible institutions

The regulations governing institutional eligibility define three types of eligible institutions—institutions of higher education, proprietary institutions of higher education, and postsecondary vocational institutions. Under the three definitions, a school is eligible to participate in all the FSA programs provided the school offers the appropriate type of eligible program (see chart on next page). This section covers the key elements of the three definitions, giving special attention to those requirements that affect the definition of an eligible program.

Although the criteria for the three types of institutions differ somewhat, note that it is possible for some programs at a public or private nonprofit institution to meet the requirements for a postsecondary vocational institution.

Institutional control

The *control* of an institution distinguishes whether the institution is public or private, nonprofit or for-profit. Under the institutional definitions, an *institution of higher education* or a *postsecondary vocational institution* can be either public or private, but is always nonprofit. A *proprietary institution of higher education* is always a private, for-profit institution.

CHAPTER 1 HIGHLIGHTS

- Three definitions of eligible institutions
 - institution of higher education
 - proprietary institution of higher education
 - postsecondary vocational institution
- Basic requirements
 - Legal authorization by a state
 - Accreditation (and alternatives)
 - Admissions standards (high school diploma, recognized equivalent, homeschooling)
- Two-year rule for new proprietary or vocational schools
- Factors leading to loss of eligibility
 - Limitations
 - Bankruptcy or crimes involving FSA funds
- Criteria to participate in TEACH Grant programs
- Applying as an eligible nonparticipating school
- Withdrawals
- Program Participation Agreement


Related information

- Applying to participate, *New School Guide*
- Eligibility of ability-to-benefit students, home-school students, and correspondence students—Volume 1, Chapter 1
- Eligible program—Volume 2, Chapter 2
- Closeout procedures, Volume 2, Chapter 9.

Assessing your school's compliance

To assess your school's compliance with the provisions of this chapter see the FSA Assessment module for "Institutional Eligibility," at:
ifap.ed.gov/qahome/qaassessments/institutionalelig.html

Type and Control of Eligible Institutions

<i>Institution of Higher Education</i>	<i>Proprietary Institution of Higher Education</i>	<i>Postsecondary Vocational Institution</i>
A public or private nonprofit educational institution located in a state	A private, for-profit educational institution located in a state	A public or private nonprofit educational institution located in a state
<p>Program offered:</p> <ol style="list-style-type: none"> (1) Associate, bachelor's, graduate, or professional degree, or (2) At least a two-year program that is acceptable for full credit toward a bachelor's degree, or (3) At least a one academic year training program that leads to a certificate or other nondegree recognized credential and prepares students for gainful employment in a recognized occupation. <div style="text-align: center; margin-top: 10px;">  </div>	<p>The institution must</p> <ol style="list-style-type: none"> (1) provide training for gainful employment in a recognized occupation, or (2) have provided a program leading to a baccalaureate degree in liberal arts continuously since Jan. 1, 2009 (with continuous regional accreditation since Oct. 1, 2007 or earlier). <p>Programs offered: must meet the criteria of at least one category below.</p> <ol style="list-style-type: none"> (1) Provides at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. May admit students without an associate degree or equivalent. (2) Provides at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. Must be a graduate/professional program, or must admit only students with an associate degree or equivalent. (3) Provides at least a 10-week (instructional time) undergraduate program of 300–599 clock hours. Must admit at least some students who do not have an associate degree or equivalent, and must meet specific qualitative standards. Note: These programs are eligible only for Direct Loan participation. 	<p>The institution must provide training for gainful employment in a recognized occupation.</p> <p>Programs offered must meet the criteria of at least one category below.</p> <ol style="list-style-type: none"> (1) Provides at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. May admit students without an associate degree or equivalent. (2) Provides at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. Must be a graduate/professional program, or must admit only students with an associate degree or equivalent. (3) Provides at least a 10-week (instructional time) undergraduate program of 300–599 clock hours. Must admit at least some students who do not have an associate degree or equivalent, and must meet specific qualitative standards. Note: These programs are eligible only for Direct Loan participation.

All three institutional types may also provide a comprehensive transition & postsecondary program for individuals with intellectual disabilities.

“Two-Year Rule” (applicable to proprietary and postsecondary vocational institutions) — Legally authorized to give (and continuously has been giving) the same postsecondary instruction for at least two consecutive years.

BASIC CRITERIA FOR ELIGIBLE INSTITUTIONS

To be eligible, an institution must:

- be *legally authorized* by the state where the institution offers postsecondary education to provide a postsecondary education program,
- be *accredited* by a nationally recognized accrediting agency or have met the alternative requirements, if applicable, and
- *admit as a regular student* only individuals with a high school diploma or its recognized equivalent, or individuals beyond the age of compulsory school attendance in the state where the institution is located.

These requirements are discussed in the following sections.

LEGAL AUTHORIZATION BY A STATE

Generally, an eligible institution must be located in a state. A school is physically located in a state or other instructional site if it has a campus or instructional site in that state. There are exceptions:

- Institutions of higher education in the Federated States of Micronesia and the Republic of the Marshall Islands are eligible for purposes of the Federal Pell program.
- Institutions of higher education in Palau are eligible for purposes of the Federal Pell, FSEOG, and FWS programs.
- Foreign schools are eligible to participate in the Direct Loan program, subject to the rules for foreign schools in 34 CFR 600.51-57.

To qualify as an eligible institution under any of the three institutional definitions, a school must be legally authorized by the state in which it offers an educational program to provide the program.

A school is legally authorized by a state when it is established *by name* as an educational institution by a state through a charter, statute, constitutional provision, articles of incorporation, or other action issued by an appropriate state agency or state entity and is authorized to operate educational programs beyond secondary education, including programs leading to a degree or certificate. The school must comply with any applicable state approval or licensure requirements, except in cases where the state exempts the school from any of its requirements based upon the school being in operation for at least 20 years or the school's accreditation by one or more accrediting agencies recognized by the Department.

If a school has not been established *by name* as an *educational institution* but has been established by a state on the basis of an authorization to conduct business in the state or to operate as a nonprofit charitable organization, the school must be approved or licensed *by name* by the state to offer programs beyond secondary education, including programs leading to a degree or certificate. Such a school may not be exempted from the state's approval or

Definitions of eligible institutions

34 CFR 600.4, 600.5, and 600.6

Nonprofit institution

A school that is

- owned and operated by one or more nonprofit corporations or associations whose net earnings do not benefit any private shareholder or individual,
- legally authorized to operate as a nonprofit organization by each state in which it is physically located, and
- determined by the Internal Revenue Service (IRS) to be eligible for tax-deductible contributions in accordance with the IRS Code (26 U.S.C. 501(c)(3)).

State defined

"State" includes not only the 50 states, but also American Samoa, Puerto Rico, the District of Columbia, Guam, the U.S. Virgin Islands, and the Northern Mariana Islands.

Authorization by a state 34 CFR 600.4(a)(1)

Foreign Schools Eligible for Direct Loan Program

In general, by law, a foreign school can participate in the Direct Loan Program if the foreign school is comparable to an institution of higher education (as defined earlier in this section) and has been approved by the Department.

Additionally, the regulations set out specific requirements for foreign medical schools, foreign veterinary schools, and foreign nursing schools.

You can find additional information about foreign school eligibility in "The Student Financial Aid Handbook for Foreign Schools" on the IFAP website (<http://ifap.ed.gov>).

State authorization & alternatives

The criteria for a school to be considered legally authorized by a state were published in the Federal Register, October 29, 2010, as new section 34 CFR 600.9, effective 7/1/2011. GEN-11-05 (March 17, 2011) provided further guidance on state authorization.

NEW

State process for complaints

For a school to be legally authorized by a state, the state must have a process to review and appropriately act on complaints concerning the school, including enforcing applicable state laws. Note that schools must provide the contact information for filing complaints with the state to students and prospective students. This requirement applies to institutions otherwise exempt as religious institutions. (See the consumer information requirements in Section 2.6.2)

State authorization & distance education

See *Chapter 2* for requirements for state authorization for distance education programs.

Definition of Indian tribe

The Institutional Eligibility regulations (see 34 CFR 600.9) incorrectly cite 25 USC 1802(2); this will be corrected in the Federal Register to— 25 USC 1801(a)(2).

licensure requirements based on accreditation, years in operation, or other comparable exemption.

The regulations list several exceptions to the state authorization requirement—

1. the federal government has authorized the school by name to offer educational programs beyond secondary education.
2. an Indian tribe (as defined in 25 USC 1801(a)(2)) has authorized the school by name to offer educational programs beyond secondary education, provided that the school is located on tribal lands and the tribal government has a process to review and appropriately act on complaints concerning a school and enforces applicable tribal requirements or laws.
3. the school is exempt from state authorization as a religious institution under the state constitution or by state law (see sidebar for regulatory definition).



A school must have evidence that it has the authority to operate in a state at the time of the school’s certification to participate in the FSA programs. For more information on applying for participation in the FSA programs, see the *New School Guide*.

How different types of schools meet state authorization requirements

<i>Legal Entity</i>	<i>Entity Description</i>	<i>Approval or Licensure Process</i>
Educational Institution	A public, private nonprofit, or for-profit institution established by name by a State through a charter, statute, articles of incorporation, or other action issued by an appropriate State agency or State entity as an educational institution authorized to operate educational programs beyond secondary education, including programs leading to a degree or certificate.	The institution must comply with any applicable State approval or licensure process and be approved or licensed by name, and may be exempted from such requirement based on its accreditation, or being in operation at least 20 years, or use both criteria.
Business	A for-profit entity established by the State on the basis of an authorization or license to conduct commerce or provide services.	The State must have a State approval or licensure process, and the institution must comply with the State approval or licensure process and be approved or licensed by name. An institution in this category may not be exempted from State approval or licensure based on accreditation, years in operation, or a comparable exemption.
Charitable Organizations	A nonprofit entity established by the State on the basis of an authorization or license for the public interest or common good.	The State must have a State approval or licensure process, and the institution must comply with the State approval or licensure process and be approved or licensed by name. An institution in this category may not be exempted from State approval or licensure based on accreditation, years in operation, or a comparable exemption.

Note: The chart does not take into account requirements related to state reciprocity or federal, tribal, and religious institutions that are exempt from these requirements.

ACCREDITATION

Generally, a school must be accredited or preaccredited by a nationally recognized accrediting agency or association (both referred to here as agencies) to be eligible.

Except as provided below, a school must be accredited by an agency that has the authority to cover all of the institution's programs. An agency such as this is referred to as the school's *primary accrediting agency*. A school can have only one primary accreditor.

A school may also be accredited by one or more programmatic accrediting agencies. A *programmatic accrediting agency* is one that accredits only individual educational programs that prepare students for entry into a profession, occupation, or vocation.

If a school is seeking to change primary accreditors it must first provide the Department (and the agencies) all materials documenting the reasons and causes for making the change. (Information on changes in accreditation can be found in *Chapter 5*.)

Alternatives to regular accreditation

The law provides two statutory alternatives to accreditation by a recognized accrediting agency. First, a public or private nonprofit institution may be preaccredited by an agency or association that has been approved by the Department to grant such preaccreditation. Second, public postsecondary vocational educational institutions may be eligible for FSA funds if accredited by a state agency that the Department determines to be a reliable authority.

Primary accreditor

The primary accreditor typically is an accrediting agency whose scope is institution-wide rather than only programmatic. A participating institution must advise the Department which accrediting agency it wants to serve as its primary accrediting agency for the purpose of FSA eligibility. If a school offers only programs of a singular nature, the school's primary accreditor may be an agency that accredits only those specific educational programs.

Dual accreditation

If a school is accredited by two agencies at the same time, the school must designate which agency's accreditation will be used in determining institutional eligibility for FSA funds and must inform the Department via the E-App. Further, the school must provide to the Department (and to both agencies) all materials documenting the reasons and causes for dual accreditation before the school adds the additional accreditation. See *Chapter 5* for more on changes in accreditation and loss of eligibility.

ADMISSIONS STANDARDS

An eligible institution may admit as regular students only persons who have a high school diploma or its recognized equivalent, or persons who are beyond the age of compulsory school attendance in the state in which the school is located. (Admissions standards also play a role in student eligibility, as discussed in *Volume 1, Chapter 1*.)

Definition of religious institution

An institution that

- is owned, controlled, operated, and maintained by a religious organization lawfully operating as a nonprofit religious corporation; and
- awards only religious degrees or certificates including, but not limited to, a certificate of Talmudic studies, an associate of Biblical studies, a bachelor of religious studies, a master of divinity, or a doctor of divinity.

34 CFR 600.9(b)(2)

Nationally recognized accrediting agency or association

An accrediting agency or association which the Department has recognized to accredit or preaccredit a particular category of institution, school, or educational program in accordance with the provisions in 34 CFR Parts 602 and 603.

Obtaining a list of recognized accrediting agencies

The Department periodically publishes a list of nationally recognized accrediting bodies in the Federal Register, based on criteria given in 34 CFR Part 602. The list of accrediting agencies recognized for FSA purposes can be found on the Department's website at:

www.ed.gov/admins/finaid/accred/index.html

The list of accrediting agencies recognized for their preaccreditation categories is in section 7. Information about national recognition of state approval agencies is in Section 10.

Preaccredited:

A status granted by a nationally recognized accrediting agency or association to a public or private nonprofit institution that is progressing toward accreditation within a reasonable period of time.

Institutions of Higher Education (IHE)

34 CFR 600.4(a)(5)(i)

Postsecondary Vocational Institutions (PVI)

34 CFR 600.6(a)(5)(i)

Alternatives to accreditation

Institutions of Higher Education (IHE)

34 CFR 600.4(a)(5)(i)

Postsecondary Vocational Institutions (PVI)

34 CFR 600.6(a)(5)(ii)

Admissions standards

34 CFR 600.4(a)(2), 600.5(a)(2), 600.6(a)(2)

Checking validity of high school diplomas

A school must evaluate the validity of a student's high school completion if the school or the Department has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education. This is discussed in detail in Volume 1 (Student Eligibility), Chapter 1.

34 CFR 668.16(p)

Regular student

A person who is enrolled (or is accepted for enrollment) in an eligible program for the purpose of obtaining a degree, certificate, or other recognized educational credential.

Note that if an individual is not yet beyond the age of compulsory school attendance in the state in which the school is physically located, the school may only enroll the individual as a "regular student" if he or she has a high school diploma or its equivalent.

34 CFR 600.2

Dual enrollment at high school

Eligible institutions may dually enroll secondary students as regular students.

Higher Education Act of 2008

Admissions standards as a student eligibility issue

To be eligible for FSA funds, a student who does not have a high school diploma or its recognized equivalent must not only be beyond the age of compulsory attendance, but must also meet the criteria for homeschooled students or demonstrate "ability-to-benefit." See *Volume 1, Chapter 1*.

Related requirements

A school may not deny readmission to a service member of the uniformed services for reasons relating to that service. See *Chapter 3* for more information.

High school diploma

A high school diploma is a document recognized by the state in which the high school is located. Unless required by its accrediting or state licensing agency, the school is not required to keep a copy of a student's high school diploma or GED (the recognized equivalent of a high school diploma, *see below*). Rather, the school may rely on the student's certification (including that on the FAFSA) that he or she has received the credential and a copy of the certification must be kept on file. This certification need not be a separate document. It may be collected on the school's admissions application. The school may also require the student to provide supporting documentation.

Recognized equivalent of a high school diploma

Generally, a recognized equivalent of a high school diploma is either a GED or a state certificate (received after the student has passed a state-authorized test) that the state recognizes as being equivalent to a high school diploma. However, the regulations also recognize two special cases that are equivalent to a high school diploma:

- An academic transcript showing that the student has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree.
- For a student who is seeking enrollment in a program of at least the associate degree level, documentation showing that the student has excelled academically in high school and has met the formalized written admissions policies of the postsecondary school.

Homeschooled students & compulsory school attendance

The Department considers that a homeschooled student is beyond the age of compulsory school attendance if the state in which the eligible institution is located does not consider the student truant once he or she has completed a homeschool program.

For instance, if your state requires children to attend school until age 17, you may admit as a regular student a homeschooled student who completes the secondary curriculum at age 16 if your state

- would not consider the student truant, and
- would not require that student go back to high school or continue a home-school education until age 17.

You may rely on a homeschooled student's self-certification that he or she completed secondary school in a homeschool setting, as discussed in *Volume 1, Chapter 1*, under "Academic Qualifications."

Preparatory programs for students without high school diploma or equivalent

A school that admits students without a high school diploma or its recognized equivalent (except homeschooled students) must make available to its students a program that has proven successful in assisting students in obtaining the recognized equivalent of a high school diploma.

For example, such a program might assist a student in obtaining a General Educational Development (GED) test or a state certificate received by a student after the student has passed a state-authorized examination that the state recognizes as the equivalent of a high school diploma. Such programs include preparatory programs that are conducted by state and local secondary school authorities, as well as programs for which the school has documentation that statistically demonstrates success. The school must provide information about the availability of the preparatory program to affected students.

The program does not have to be provided by the school itself, and the school is not required to pay the costs of the program. The program must be offered at a place that is convenient for the students and the school must take reasonable steps to ensure that its students have access to the program, such as coordinating the timing of its program offerings with that of the preparatory program.

The law does not require a school to verify that a student is enrolled in a preparatory program or to monitor the student's progress in the program. A student admitted based on his or her ability to benefit who does not have a high school diploma or its recognized equivalent is not required by law to enroll in a program, but the school may make this an admission requirement.

A student may not receive FSA funds for the program, although he or she may be paid for postsecondary courses taken at the same time as the preparatory coursework, including remedial coursework at the secondary level or higher.

“TWO-YEAR” RULE FOR NEW PROPRIETARY OR VOCATIONAL SCHOOLS

To be eligible as a proprietary institution or a postsecondary vocational institution, a school must be legally authorized to give (and have continuously been giving) the same postsecondary instruction for at least two consecutive years prior to its application. The educational program(s) offered must remain substantially the same in length and subject matter, except for changes made because of new technology or requirements of other federal agencies. A school subject to the two-year rule may not award FSA funds to a student in a program that is not included in the school's approval documents.

If a school is subject to the two-year rule, during the school's initial period of participation in the FSA programs the Department will not approve additional programs that would expand the institution's eligibility. An exception would be considered if the school demonstrates that the program has been legally authorized and continuously provided for at least two years prior to the date of the request.

A branch campus of an eligible proprietary institution or postsecondary vocational institution seeking status as a main campus or freestanding institution is subject to the two-year rule. A branch campus must be designated as such by the Department for two years after certification as a branch campus before the branch can seek certification as a main or freestanding school.

Limitation on students admitted without HS diploma or equivalent

A school that admits students who do not have a high school diploma nor its recognized equivalent has some additional considerations. A waiver of this limitation is possible for some schools. See the discussion under *Limitation on students without HS diploma or equivalent.*

Students without high school diploma or equivalent: related topics

Remedial coursework, ability to benefit tests, students with intellectual disabilities, see *Volume 1, Chapter 1.*

Transition programs for students with intellectual disabilities are discussed in *Chapter 2.*

Branch campus

A branch campus is a location of a school that is geographically apart and independent of the main campus of the school. A location is considered to be independent of the main campus if the location:

- is permanent in nature;
- offers courses in educational programs leading to a degree, certificate, or other recognized educational credential;
- has its own faculty and administrative or supervisory organization; and
- has its own budgetary and hiring authority.

Citations

Branch campus
34 CFR 600.2 and 600.8
Additional location
34 CFR 600.32

Notifying ED of changes to school's E-App information

If there is a change to any of a school's answers to the Yes/No questions in Section G of a submitted Electronic Application (E-App) (which deal with enrollment thresholds in these areas), the school must notify the Department via the E-App (see *Chapter 5*). The Department will advise the school of its options, including whether the school might be eligible for a waiver. (Waivers are available for the correspondence student limitation, the incarcerated student limitation, and the limitation on students without a high school diploma or equivalent.)
34 CFR 600.7(h)

Conditions of institutional ineligibility

34 CFR 600.7

Prohibition on employment of individuals who have misused government funds

A school may not have as principals or employ or contract with other organizations that employ individuals who have engaged in the misuse of government funds.
See *Chapter 3* for more details.

An additional location must obtain approval from the Department to become a branch campus. A branch campus then must operate as a branch campus for two years (satisfying the two-year rule) before it may be considered for status as a freestanding institution. Time as an additional location of an eligible proprietary institution or postsecondary vocational institution does not count toward the two-year rule.

FACTORS LEADING TO LOSS OF ELIGIBILITY

Limitations

An otherwise eligible institution becomes an ineligible institution if the school violates, among other requirements—

- the 50% limit on students without a high school diploma or equivalent (for schools that don't offer a 4-year bachelor's degree program or a 2-year associate degree program),
- the incarcerated student limitation (25%) or
- the correspondence course limitation (50%) or the correspondence student limitation (50%).

The school must demonstrate compliance with these limitations, and its calculations must be attested to by the independent auditor. We will discuss the calculations in more detail in *Chapter 4*, which describes FSA audit requirements. As discussed in *Chapter 4*, the school must notify the Department of the failure to meet any of these requirements.

Bankruptcy or crimes involving FSA programs

A school is not eligible if it files for relief in bankruptcy or has entered against it an order for bankruptcy. The school is also ineligible if either of these circumstances apply to an affiliate of the school that has the power, by contract or ownership interest, to direct or cause the direction of the management of policies of the school.

A school also loses its eligibility if the school, its owner, or its executive officer has

- pled guilty to, has pled *nolo contendere* to, or is found guilty of, a crime involving the acquisition, use, or expenditure of FSA program funds; or
- been judicially determined to have committed fraud involving FSA program funds.

If a school becomes ineligible for any of these reasons, the school must notify the Department of the change within 10 days. A school that becomes ineligible because of one of these factors must immediately stop awarding FSA funds and must follow the requirements for a school that has lost its FSA participation (see *Chapter 9*). The loss of eligibility is effective as of the date of the bankruptcy, or the date the school or individual pleads to or is found responsible for the crime, as applicable. A loss of eligibility for these two reasons is permanent. The institution's eligibility cannot be reinstated.

CRITERIA TO PARTICIPATE IN TEACH GRANT PROGRAM

Eligibility for the Teacher Education Assistance for College and Higher Education (TEACH) Grant program is not automatically extended to an FSA-eligible postsecondary school. A school qualifies as a “TEACH Grant-eligible institution” if it offers a high-quality teacher preparation program at either the baccalaureate or masters level and provides supervision and support services to teachers (or assists in the provision of such services). The teacher preparation program must be—

- accredited by a specialized accrediting agency recognized by the Department for the accreditation of professional teacher education programs, or
- approved by a state and must provide extensive pre-service clinical experience.

If a school does not have a teacher preparation program, it can qualify for TEACH grants if it—

- provides one or more 2-year programs of study that are acceptable for full credit to either a baccalaureate teacher preparation degree program or a baccalaureate degree program in a high-need field at another TEACH-eligible school with which it has an agreement;
- offers a baccalaureate degree that, in combination with other training or experience, will prepare a student to teach in a high-need field and has an agreement with another institution that offers a teacher preparation program or a post-baccalaureate program that prepares students to teach; or
- Offers a post-baccalaureate program that will prepare a student to teach.

APPLYING AS AN ELIGIBLE NONPARTICIPATING SCHOOL

Some schools choose to establish their eligibility for FSA programs but elect not to participate in them because designation as an eligible institution qualifies a school or its students to apply to participate in non-FSA programs, such as the HOPE and Lifetime Learning Tax Credit. In addition, only students attending eligible institutions qualify for in-school deferments of payments on their federal education loans.

A nonparticipating eligible institution wishing to be designated an eligible nonparticipating institution may submit an E-App to the Department at any time. The application must be materially complete.

Following submission of an application, the Department will contact the school if it has additional questions about the application. Generally, this will be within 90 days of the Department receiving an application. After completing its review, if a school’s application has been approved, the Department will send an electronic notice to the president and financial aid officer notifying them that the school is eligible and that its approval letter and ECAR must be printed and maintained. If the school’s application has not been approved, the Department will notify the school and explain why.

TEACH grant eligibility

Recognized agencies for the accreditation of professional teacher education programs include the Teacher Education Accreditation Council (TEAC) and National Council for Accreditation of Teacher Education (NCATE). Note: On October 22, 2010, TEAC and NCATE agreed to merge as the Council for the Accreditation of Educator Preparation (CAEP).
GEN-08-07
34 CFR 686.2
34 CFR 686.4

TEACH Grant Program

The College Cost Reduction and Access Act of 2007 (CCRAA), Public Law 110-84, established the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program. The TEACH Grant Program was effective as of July 1, 2008.
GEN 08-01

“Enrolled” for purposes of withdrawal rates

A student enrolls when he or she completes the registration requirements (except payment of tuition and fees) at the school.

Correspondence students are enrolled if they have been admitted to the program and have submitted one lesson (that was completed without the assistance of a school representative).

WITHDRAWAL RATES

New schools (schools that seek to participate in an FSA program for the first time) must have an undergraduate withdrawal rate for regular students of no more than 33% during the school’s latest completed award year.

When calculating the withdrawal rate, the school must include all regular, enrolled students. The definition of enrolled does not require either payment of tuition or class attendance; therefore, the withdrawal rate calculation must include enrolled students who have not yet paid tuition or who did not actually begin attending classes.

A student is considered to have withdrawn if he or she officially withdraws, unofficially drops out, is expelled from the school, or receives a refund of 100% of his or her tuition and fees. A student who withdraws from one or more courses or programs but does not withdraw entirely from the school, does not meet the definition of withdrawn. Instead, this action is considered a change in enrollment status (e.g., the student reduced his credit hours from 12 to 6).

Program Participation Agreement

Sec. 487 of the HEA
34 CFR 668.14
20 U.S.C. 1085, 1088, 1091, 1092, 1094, 1099a-3, 1099c, and 1141

THE PROGRAM PARTICIPATION AGREEMENT

To participate in the FSA programs, a school must have a current Program Participation Agreement (PPA), signed by the school’s President or Chief Executive Officer and an authorized representative of the Secretary of Education.

Purpose and scope of the PPA

Under the PPA, the school agrees to comply with the laws, regulations, and policies governing the FSA programs. After being certified for FSA program participation, the school must administer FSA program funds in a prudent and responsible manner. A PPA contains critical information about a school’s participation in the FSA programs. In addition to the effective date of a school’s approval, the date by which the school must reapply for participation, and the date on which the approval expires, the PPA lists the FSA programs in which the school is eligible to participate.

Expiration or termination of the Agreement

Either the school or the Department may terminate the Program Participation Agreement. The Agreement automatically terminates if the school loses eligibility.

A school's Program Participation Agreement expires on the date that—

- the school changes ownership that results in a change in control (see *Chapter 5*),
- the school closes or stops providing educational programs for a reason other than a normal vacation period or a natural disaster that directly affects the school or its students (see closure procedures in *Chapter 9*),
- the school ceases to meet the eligibility requirements (see *Chapter 4* and “Factors Leading to Loss of Eligibility” in this chapter),
- the school's period of participation expires, or
- the school's provisional certification is revoked (see *Chapters 4, 5, and 9*).

In the case of a location of the school, the school's program participation agreement no longer covers a location as of the date on which that location ceases to be a part of the participating institution.

Programs covered by the PPA

An eligible school must enter into a PPA with the Department to participate in the following programs:

- Federal Pell Grant
- Iraq and Afghanistan Service Grant*
- TEACH Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Work-Study (FWS)
- Federal Perkins Loan (Perkins)
- Federal Direct Loan Program (DL)

* A school that is certified for Pell Grant purposes is considered to be certified for the Iraq and Afghanistan Service Grant program.

Selected provisions of the Program Participation Agreement

Most of the provisions of the Program Participation Agreement (PPA) are discussed in detail in *Volume 2* and other volumes of the *Federal Student Aid Handbook*. In this section, we highlight some of the general school requirements in the PPA that may not be as familiar to financial aid professionals.

Note that the PPA may list additional requirements that are school-specific; schools must carefully review all of the requirements listed on their PPA.

General Terms & Conditions

- The school certifies that it will comply with
 - a. Title VI of the Civil Rights Act of 1964, as amended, barring discrimination on the basis of race, color, or national origin;
 - b. Title IX of the Education Amendments of 1972, barring discrimination on the basis of sex;
 - c. the Family Rights and Privacy Act of 1974 (see *Chapter 9*)
 - d. Section 504 of the Rehabilitation Act of 1973, barring discrimination on the basis of physical handicap (34 CFR Part 104); and
 - e. The Age Discrimination Act of 1975 (34 CFR Part 110);
- The school acknowledges that the Department, states, and accrediting agencies may share information about the school without limitation.
- The school acknowledges that the school must, prior to any other legal action, submit any dispute involving the final denial, withdrawal, or termination of accreditation to initial arbitration.

General Provisions

- The school will use funds received under any FSA program as well as any interest and other earnings thereon solely for the purposes specified for that program.
- If the school is permitted to request FSA program funds under an advance payment method, the school will time its requests for funds to meet only the school's immediate FSA program needs (see *Volume 4, Chapter 2*).
- The school will not charge for processing or handling any application, form, or data used to determine a student's FSA eligibility (see *Chapter 3*).
- The school will establish administrative/fiscal procedures and reports that are necessary for the proper and efficient management of FSA funds, and it will provide timely information on its administrative capability and financial responsibility to the Department and to the appropriate state, guaranty, and accrediting agencies (see *Chapter 8*).
- The school must acknowledge the authority of the Department and other entities to share information regarding fraud, abuse, or the school's eligibility for participation in the FSA programs (see *Chapter 9*).
- The school must, in a timely manner, complete reports, surveys, and any other data collection effort of the Department including surveys under the Integrated Postsecondary Education Data System (see *Chapter 8*).
- The school cannot penalize in any way a student who is unable to pay school costs due to compliance with the FSA program requirements or due to a delay in an FSA loan disbursement caused by the school.

Program Participation Agreement— selected provisions, continued

- The school must comply with the program integrity requirements established by the Department, state authorizing bodies, and accrediting agencies (see *Chapter 9*).
- The school is liable for all improperly administered funds received or returned under the FSA programs including any funds administered by a third-party servicer (see *Chapter 3*).
- If the stated objectives of an educational program offered by the school are preparing students for gainful employment in a recognized occupation the school will
 - a. demonstrate a reasonable relationship between the length of the program and entry level requirements for the recognized occupation, and
 - b. establish the need for the training for the student to obtain employment in the recognized occupation for which the program prepares the student.

Certifications

Three certifications are included in the PPA:

- Lobbying; Debarment, Suspension, and other responsibility matters; and Drug-Free Workplace Requirements (see *Chapter 8*).
- Drug Prevention Certification (see *Chapter 8*).
- Certification regarding Debarment, Suspension, Eligibility, and Voluntary Exclusion—lower tier covered transactions.

Direct Loans

- The school will not charge any fees of any kind to student or parent borrowers for loan application, origination activities, or the provision and processing of any information needed to receive a Direct Loan.
- The note or evidence of obligation of the loan shall be the property of the Secretary.
- The school accepts responsibility and financial liability stemming from its failure to perform its functions under this Program Participation Agreement.

Additional requirements

In addition to the requirements listed on the PPA, a school must meet any requirements for participation in the General Provisions (34 CFR Part 668), as well as those specific to an individual FSA program.

- * FEDERAL PELL GRANT PROGRAM, 20 USC 1070a et seq; 34 CFR Part 690.
- * FEDERAL DIRECT STUDENT LOAN PROGRAM, 20 USC 1087a et seq; 34 CFR Part 685.
- * FEDERAL PERKINS LOAN PROGRAM, 20 USC 1087aa et seq; 34 CFR Part 674.
- * FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM, 20 USC 1070b et seq; 34 CFR Part 676.
- * FEDERAL WORK-STUDY PROGRAM, 42 USC 2751 et seq; 34 CFR Part 675.

These requirements are discussed in the *Application and Verification Guide* and volumes 1–6 of this *Federal Student Aid Handbook*.

